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UNITED STATES BANKRUPTCY COURT  
EASTERN DISTRICT OF NEW YORK

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In re:

BROOKLYN BUILDINGS LLC,

Chapter 11  
Case No. 18-43971

Debtor.

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**DECLARATION OF YEHOASHUA ALLSWANG PURSUANT  
TO LOCAL BANKRUPTCY RULE 1007-4 IN SUPPORT  
OF DEBTOR'S CHAPTER 11 PETITION**

YEHOASHUA ALLSWANG, upon the penalties of perjury, hereby declares and states:

1. I am the Managing Member of Brooklyn Buildings LLC, the above captioned debtor and debtor-in-possession (the "Debtor"). I am fully familiar with the Debtor's business affairs and operations and am duly authorized to make this Declaration on the Debtor's behalf.

2. I submit this Declaration (a) in support of the Debtor's voluntary petition for relief under Chapter 11 of Title 11 of the United States Code (the "Bankruptcy Code"), (b) to assist the Court and other interested parties in understanding the circumstances giving rise to the commencement of the Chapter 11 case, and (c) to provide general information about the Debtor's business operations.

3. On July 11, 2018 (the "Filing Date"), the Debtor filed a voluntary petition for relief pursuant to Chapter 11 of the Bankruptcy Code (the "Chapter 11 Case"). No trustee, examiner, or statutory committee has been heretofore appointed.

4. The Debtor is a domestic limited liability company duly formed under the laws of the State of New York. The Debtor was formed on June 13, 2017 and remains active in accordance with the laws of the State of New York.

5. The Debtor's members primarily consist of members of my family. Together, we have invested over \$7 million of our personal funds into the Debtor in order for the Debtor to acquire the underlying property portfolio described below.

**Local Rule 1007-4(a)(i)**

6. The Debtor is not a small business debtor within the meaning of Bankruptcy Code §101(51D).

**Local Rule 1007-4(a)(ii)**

7. The Debtor is real estate entity which currently owns 14 separate real properties consisting of single and multi-family houses in Brooklyn and primarily in the Crown Heights section (collectively, the "Properties").

8. The Debtor acquired the portfolio in 2017 from Legacy Asset Management Capital LLC as assignee of Heights Houses I Corp., the prior owner/sponsor for the Properties, which Properties are purportedly subject to a Land Development Agreement ("LDA") dated June 26, 2002 with the City of New York as part of a redevelopment program for Crown Heights (the "Project"). The Debtor is now the third sponsor for the Project, having succeeded in interest to the 2 prior sponsors.

9. Under the City's redevelopment program, the sponsor was deeded approximately 26 vacant residential properties in need of repair and/or rehabilitation and in turn was responsible for the renovation and subsequent sale of the Properties to partial end users who qualified for the

acquisition of a particular property based on a maximum median income scale.

10. Under the LDA, the sponsor was permitted to re-sell the Properties at no greater than 90% of the fair market value after refurbishment/renovation.

11. Since the recordation of the LDA, approximately 11 of the Project properties have been sold.

12. Moreover, under a City Council resolution dated February 7, 2001, the sponsor was permitted to re-sell the Project properties at market rate prices to end users who earn no more than 165% of the area median income ("AMI"), with HPD having the discretion to allow 10% of the Project properties to be sold to end users who earn more than 165% of AMI.

13. In order to induce the sponsor to take over the Project, HPD acknowledged that they would allow at least 3 of the Project properties to be sold to end users who earn more than 165% of AMI.

14. The sponsor's obligations under the LDA were purportedly secured by a "spreader" mortgage on the Properties in favor of the City of New York Department of Housing and Preservation Development ("HPD") in the original outstanding principal amount of \$3,000,000. Upon information and belief, the current outstanding principal balance on the HPD mortgage is approximately \$2,000,000, having been paid down by the various sponsors over time.

15. Upon information and belief, at some point prior to the Debtor's ownership of the Properties and succession as sponsor, the HPD mortgage was declared in default, resulting in a currently pending foreclosure action in Supreme Court, Kings County.

16. In addition to the more than \$7 million in capital infused into the project to date,

the Debtor has also been required to borrow funds in the form of a second mortgage against the Properties in the principal outstanding amount of \$580,000. The Properties are also subject to certain outstanding real estate taxes in the approximate outstanding aggregate amount of \$300,000.

17. The Properties are currently all properly insured by the Debtor.

18. The Properties currently have an estimated aggregate fair market value in excess of \$13 million.

19. As the Debtor ran out of capital to complete the Project, repair and sell all the Properties, it has sought the protection of its estate under Chapter 11 to prevent forfeiture via the HPD foreclosure action and to give the Debtor a reasonable period of time to formulate a plan of reorganization that will provide for exit financing and a streamlined sale process for the Properties which will result in 100% payment of all claims against the estate.

20. The needs and interests of the Debtor and its creditors will be best served by permitting the Debtor to proceed under Chapter 11 until it formulates and confirms a plan of reorganization.

21. **Local Rule 1007-4(a)(iii)**

22. This Chapter 11 Case was not originally commenced under Chapter 7 or 13 of the Bankruptcy Code.

**Local Rule 1007-4(a)(iv)**

23. Upon information and belief, no committee was organized prior to the order for relief in this Chapter 11 Case.

**Local Rule 1007-4(a)(v)**

24. A list of the names and addresses of the Debtor's 20 largest unsecured claims, excluding those who would not be entitled to vote at a creditors' meeting and creditors who are "insiders" as that term is defined in 11 U.S.C. Section 101(31) is annexed hereto as **Exhibit "A"**.

**Local Rule 1007-4(a)(vi)**

25. A list of the Debtor's 5 largest secured creditors is annexed hereto as Exhibit "B".

**Local Rule 1007-4(a)(vii)**

26. The Debtor's balance sheet is annexed hereto as **Exhibit "C"**.

**Local Rule 1007-4(a)(viii)**

27. There are no publicly held securities of the Debtor.

**Local Rule 1007-4(a)(ix)**

28. None of the Debtor's property is in the possession of any custodian, public officer, mortgagee, pledge, assignee of rents, or secured creditor, or agent for any such entity.

**Local Rule 1007-4(a)(x)**

29. The Debtor's properties are all located in Brooklyn, New York.

**Local Rule 1007-4(a)(xi)**

30. The Debtor's records are located at 781 Sherwood Street, Valley Stream, New York.

**Local Rule 1007-4(a)(xii)**

31. The following actions or proceedings are pending concerning the Debtor:

*Department of Housing and Preservation Development v. Heights Houses I Corp.,  
Et Al, Index No 510879/2017, Supreme Court, Kings County.*

**Local Rule 1007-4(a)(xiii)**

32. The senior management of the Debtor is Yehoshua Allswang, Managing Member.

**Local Rule 1007-4(xiv), (xv), and (xvi)**

33. The Debtor's statement of operations, which includes the estimated monthly cash flow for the thirty (30) day period following the Filing Date is annexed hereto as **Exhibit "D"**.

34. The Debtor has not filed tax returns.

**CONCLUSION**

Pursuant to 28 U.S.C. § 1746, I declare under the penalty of perjury that the foregoing is true and correct.

Dated: Valley Stream, New York  
July 11, 2018

/s/ Yehoshua Allswang  
Yehoshua Allswang

**EXHIBIT A**

20 LARGEST UNSECURED CREDITORS

SEE ATTACHED

**Fill in this information to identify the case:**

Debtor name Brooklyn Buildings LLC  
 United States Bankruptcy Court for the: EASTERN DISTRICT OF NEW YORK  
 Case number (if known): \_\_\_\_\_

☐ Check if this is an  
 amended filing

**Official Form 204****Chapter 11 or Chapter 9 Cases: List of Creditors Who Have the 20 Largest Unsecured Claims and Are Not Insiders**

12/15

A list of creditors holding the 20 largest unsecured claims must be filed in a Chapter 11 or Chapter 9 case. Include claims which the debtor disputes. Do not include claims by any person or entity who is an insider, as defined in 11 U.S.C. § 101(31). Also, do not include claims by secured creditors, unless the unsecured claim resulting from inadequate collateral value places the creditor among the holders of the 20 largest unsecured claims.

Name of creditor and complete mailing address, including zip code	Name, telephone number and email address of creditor contact	Nature of claim (for example, trade debts, bank loans, professional services, and government contracts)	Indicate if claim is contingent, unliquidated, or disputed	Amount of claim If the claim is fully unsecured, fill in only unsecured claim amount. If claim is partially secured, fill in total claim amount and deduction for value of collateral or setoff to calculate unsecured claim.		
				Total claim, if partially secured	Deduction for value of collateral or setoff	Unsecured claim
SC Concierge LLC 833 Fanwood Avenue Valley Stream, NY 11581						\$75,000.00
Madison Park Investors 88 Washington Avenue Cedarhurst, NY 11516						\$70,000.00
L&T Attorney Services 778 Morris Park Avenue Suite 10 Bronx, NY 10462						\$10,000.00
Metro Futures LLC 57 West 38th Street New York, NY 10018						\$10,000.00
NY Equity Management LLC 1202 Halsey Street Suite 101 Brooklyn, NY 11207						\$5,000.00
Berg and David PLLC 266 Broadway, Suite 503 Brooklyn, NY 11211						\$4,700.00
Paul Mernick 337 Central Avenue Building R Lawrence, NY 11559						\$4,000.00
Goldstein Hall PLLC 80 Broad Street, Ste. 303 New York, NY 10004						\$3,000.00



Debtor Brooklyn Buildings LLC  
Name

Case number (if known)

Name of creditor and complete mailing address, including zip code	Name, telephone number and email address of creditor contact	Nature of claim (for example, trade debts, bank loans, professional services,	Indicate if claim is contingent, unliquidated, or disputed	Amount of claim If the claim is fully unsecured, fill in only unsecured claim amount. If claim is partially secured, fill in total claim amount and deduction for value of collateral or setoff to calculate unsecured claim.		
				Total claim, if partially secured	Deduction for value of collateral or setoff	Unsecured claim
Yehuda Berko 614 Oak Drive Far Rockaway, NY 11691						\$2,000.00
Jesse Kaufman 251 Troy Avenue Brooklyn, NY 11213						\$2,000.00
Warner & Scheuerman 6 West 18th Street 10th Floor New York, NY 10011						\$1,500.00
Forensic Litigation Group 623 Eagle Rodk Avenue Suite 364 West Orange, NJ 07052						\$1,200.00
Riverside Abstract LLC 3839 Flatlands Avenue Brooklyn, NY 11234						\$1,200.00
Dependable Abstract Inc. 3838 Flatlands Avenue Brooklyn, NY 11234						\$1,000.00
SRY Design 1360 Fulton Ave Studio #415 Brooklyn, NY 11216						\$1,000.00
Michael Reed 4311 Laek Forest Court Finksburg, MD 21048						\$1,000.00
Fulcrum Properties 153 East 96th Street, 1-A New York, NY 10128						\$500.00

**EXHIBIT B**

**5 LARGEST SECURED CREDITORS**

SEE ATTACHED

**Fill in this information to identify the case:**Debtor name Brooklyn Buildings LLCUnited States Bankruptcy Court for the: EASTERN DISTRICT OF NEW YORK

Case number (if known) \_\_\_\_\_

☐ Check if this is an amended filing**Official Form 206D****Schedule D: Creditors Who Have Claims Secured by Property**

12/15

Be as complete and accurate as possible.

**1. Do any creditors have claims secured by debtor's property?**

- ☐ No. Check this box and submit page 1 of this form to the court with debtor's other schedules. Debtor has nothing else to report on this form.
- ☒ Yes. Fill in all of the information below.

**Part 1: List Creditors Who Have Secured Claims**

2. List in alphabetical order all creditors who have secured claims. If a creditor has more than one secured claim, list the creditor separately for each claim.

**2.1 Department of Housing**

Creditor's Name

Preservation & Developmen  
100 Gold Street  
New York, NY 10038

Creditor's mailing address

Creditor's email address, if known

Date debt was incurred

Last 4 digits of account number

Do multiple creditors have an interest in the same property?

- ☒ No
- ☐ Yes. Specify each creditor, including this creditor and its relative priority.

Describe debtor's property that is subject to a lien  
First Mortgage

Describe the lien

Is the creditor an insider or related party?

- ☒ No
- ☐ Yes
- Is anyone else liable on this claim?

- ☒ No
- ☐ Yes. Fill out *Schedule H: Codebtors* (Official Form 206H)

As of the petition filing date, the claim is:

- Check all that apply
- ☐ Contingent
- ☒ Unliquidated
- ☒ Disputed

Column A

Amount of claim

Do not deduct the value of collateral.

\$2,000,000.00

Column B

Value of collateral that supports this claim

\$13,000,000.00

**2.2 Frimhar Associates LLC**

Creditor's Name

184 S. Livingston Ave.  
#132  
Livingston, NJ 07039

Creditor's mailing address

Creditor's email address, if known

Date debt was incurred

Last 4 digits of account number

Do multiple creditors have an interest in the same property?

Describe debtor's property that is subject to a lien  
Second Mortgage

Describe the lien

Is the creditor an insider or related party?

- ☒ No
- ☐ Yes
- Is anyone else liable on this claim?

- ☒ No
- ☐ Yes. Fill out *Schedule H: Codebtors* (Official Form 206H)

As of the petition filing date, the claim is:  
Check all that apply

\$580,000.00

\$13,000,000.00

Debtor Brooklyn Buildings LLC  
Name

Case number (if know) \_\_\_\_\_

☒ No☐ Yes. Specify each creditor,  
including this creditor and its relative  
priority.☐ Contingent☐ Unliquidated☐ Disputed**2.3 NYC Dept of Finance**

Creditor's Name

Dept of Legal Affairs  
345 Admas St., 3rd FL  
Brooklyn, NY 11201

Creditor's mailing address

Describe debtor's property that is subject to a lien  
Real Estate Taxes

\$300,000.00

\$13,000,000.00

Describe the lien

Is the creditor an insider or related party?

☒ No☐ Yes

Is anyone else liable on this claim?

☒ No☐ Yes. Fill out *Schedule H: Codebtors* (Official Form 206H)

Creditor's email address, if known

Date debt was incurred

Last 4 digits of account number

Do multiple creditors have an  
interest in the same property?☒ No☐ Yes. Specify each creditor,  
including this creditor and its relative  
priority.As of the petition filing date, the claim is:  
Check all that apply☐ Contingent☐ Unliquidated☐ Disputed\$2,880,000.00  
0

3. Total of the dollar amounts from Part 1, Column A, including the amounts from the Additional Page, if any.

**Part 2: List Others to Be Notified for a Debt Already Listed in Part 1**

List in alphabetical order any others who must be notified for a debt already listed in Part 1. Examples of entities that may be listed are collection agencies, assignees of claims listed above, and attorneys for secured creditors.

If no others need to be notified for the debts listed in Part 1, do not fill out or submit this page. If additional pages are needed, copy this page.

Name and address

On which line in Part 1 did  
you enter the related creditor?Last 4 digits of  
account number for  
this entity

**EXHIBIT C**

Balance Sheet

**ASSETS**

Land and improvements	\$13,000,000
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**LIABILITIES**

Mortgage Debt	\$2,580,000
RE Taxes	\$300,000
Unsecured Debt	\$191,000

**EXHIBIT D**  
**30 DAY INCOME AND EXPENSE PROJECTION**

Income - \$0

Expenses:

RE Taxes (Pro Rated)	\$2,500
Insurance (Pro Rated)	\$1,350